TRANSPORTATION PARTNERSHIPS FUND

FINANCIAL STATEMENTS

For the Year Ending March 31, 2012

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Transportation Partnership Fund, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and changes in net assets and of the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Transportation Partnership Fund as at March 31, 2012, and the results of its operations and cash flows for the for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 3, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

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TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2012	2011
Assets		
Current Assets:		
Due from General Revenue Fund (Note 3)	$ 6,912,372	$ 8,771,072
Accounts Receivable	1,498,282	741,834
	$ 8,410,654	$ 9,512,906
Long Term Assets:		
Loans Receivable Less Concessionary Allowance (Note 5)	2,175,448	1,950,552
	$ 10,586,102	$ 11,463,458
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	$ 95,789	$ 214,091
Deferred Revenue	143,028	-
Total Liabilities	238,817	214,091
Net Assets (Statement 2)	$ 10,347,285	$ 11,249,367

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF OPERATIONS AND CHANGE IN NET ASSETS
For The Year Ended March 31

	2012 Budget	2012 Actual	2011 Actual
Revenue			
Transportation Partnerships Agreements	$ 700,000	$ 1,190,552	$ 2,223,454
Interest Revenue (Note 3)	12,000	83,171	64,754
Amortization of Loan Discount (Note 5)	114,000	103,978	111,850
Other Revenue	46,000	34,606	164,437
Total Revenue	$ 872,000	$ 1,412,307	$ 2,564,495
Expenses			
Highway Improvement Projects (Note 4)	$ 1,000,000	$ 2,092,136	$ 457,275
General Transfers	60,000	166,495	-
Technology Manufacturing Costs	-	5,758	-
Administrative Expenses (Note 4)	50,000	50,000	50,000
Total Expense	$ 1,110,000	$ 2,314,389	$ 507,275
(Deficit) Surplus for the year	$ (238,000)	$ (902,082)	$ 2,057,220
Net Assets, beginning of year	11,249,367	11,249,367	9,192,147
Net Assets, end of year (Statement 1)	$ 11,011,367	$ 10,347,285	$ 11,249,367

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2012	2011
Cash flows from (used in) operating activities:		
Cash Receipts From Transportation Companies	$ 573,456	$ 1,767,333
Cash Receipts From Other Revenue	34,606	164,437
Cash Receipts From Short-Line Railways	173,467	94,000
Interest Received	86,847	46,923
Cash Paid For Highway Improvement Projects	(2,213,317)	(510,380)
Cash Paid For Manufacturing Costs	(2,879)	-
Cash Loans Paid To Short-Line Railways	(400,000)	-
Cash Paid For General Transfers	(60,880)	-
Cash Paid For Administration	(50,000)	(50,000)
Net (Decrease) Increase in cash	$ (1,858,700)	$ 1,512,313
Due from General Revenue Fund, beginning of year	8,771,072	7,258,759
Due from General Revenue Fund, end of year	$ 6,912,372	$ 8,771,072

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2012

1. Authority and Definition of Entity

The Transportation Partnerships Fund was established effective July 1, 1997 pursuant to Section 8 of *The Highways and Transportation Act, 1997*. The purpose of the Fund is to generate revenues to be used for highway improvement projects. The Transportation Partnerships Fund generates revenues subject to the terms of trucking partnership agreements in which the transportation companies pay the Fund a portion of cost savings achieved from being able to haul overweight and/or over-dimension loads. Additional revenues are raised through issuing permits and the marketing of transportation related technology and expertise.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Fund is classified as an "other government organization". The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards as recommended by the Public Sector Accounting Board. Because the Fund has no non-financial assets, net assets at the beginning and end of the year equals accumulated surplus for the same period. The following accounting principles are considered significant:

a) Revenue recognition –
   I. Transportation Partnerships Agreement revenue - recognized in the period the truck haul savings and fees are realized.
   II. Transfers are recognized as revenue when the Fund has met the eligibility criteria, if any, and a reasonable estimate of the amount can be made.

b) Restricted revenue –
Pursuant to Transportation Partnership Agreements with transportation companies, a portion of revenue received is restricted to highway improvement projects on specified highways.

c) Use of estimates –
These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Due from General Revenue Fund

The monies of the Transportation Partnerships Fund are deposited in the General Revenue Fund. Under this arrangement, earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing

rate and the Transportation Partnerships Fund's average daily bank account balance. The effective interest in the year was 1.05% (2011 – 0.80%).

4. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as ministries, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown agencies that the Government jointly controls or significantly influences. These transactions are in the normal course of operations and are recorded at agreed upon exchange amounts.

Expenses – Administration	**2012**	2011
Ministry of Highways and Infrastructure	$50,000	$ 50,000

Revenues – Transportation Partnerships Agreements	**2012**	2011
L & M Wood Products Limited	$ 14,205	$ 10,526
Meadow Lake OSB Limited	33,210	71,610
Ministry of Highways and Infrastructure	3,502	-
Mistik Forest Management Ltd	48,820	35,698
Sask Power	-	354,000
SGI	150,000	165,000
Total	$ 249,737	$ 636,834

Accounts Receivable	**2012**	2011
L & M Wood Products Limited	$ 7,453	$ 10,526
Meadow Lake OSB Limited	8,363	15,972
Ministry of Highways and Infrastructure	1,297,971	68,740
Mistik Forest Management Ltd	516	2,092
Sask Power	-	2,000
Total	$ 1,314,303	$ 99,330

Highway improvement projects undertaken by the Fund are repairs and betterments to assets of the Ministry of Highways and Infrastructure. Projects of a capital nature totaling $1,942,034 (2011 - $0) were transferred by the Fund to the Ministry. The Ministry records and amortizes these assets based on Ministry capitalization policies and thresholds.

5. Loans Receivable

The Fund provided loans of $400,000 in 2012 (2011 loans - $0; Total loans advanced to date - $3.293 million) in financial assistance to eligible Short Line Railway companies under *The Railway Line (Short Line) Financial Assistance Regulations*. The loans are interest free and to be paid back over 15 years, with the first repayment due in the fourth year.

The loans are accounted for as a discounted loan on the Statement of Financial Position. Due to the concessionary nature of the loan, the Fund recognized a discount of $105,615 in 2012 (2011 - $0). A concessionary allowance has been recorded and will be amortized to revenue over the term of the loan. The total concessionary allowance balance is $609,886 in 2012 (2011 - $608,248).

No valuation allowance was established in the current year. An allowance will be recorded if at any point the loan is not considered payable in full.

Short Line Rail Loan
Continuity Schedule
March 31, 2012

	LOANS			
Company Name	Beginning Balance	Additions	Repayments	Ending Balance
Westcan Rail (Sask.) Ltd.	$ 586,667		$ 73,333	$ 513,334
Fife Lake Railway Ltd.	90,000		10,000	80,000
Torch River Rail Inc	117,333		10,667	106,666
Great Sandhills	953,600		79,467	874,133
Last Mountain Rail	811,200		-	811,200
Long Creek Railroad	-	400,000	-	400,000
	$ 2,558,800	**$ 400,000**	**$ 173,467**	**$ 2,785,333**

	CONCESSIONARY ALLOWANCE				
Company Name	Beginning Balance	Allowance Addition	Allowance Amortization	Ending Balance	Net Balance
Westcan Rail (Sask.) Ltd.	$ 93,716		$ 21,944	$ 71,772	**$ 441,562**
Fife Lake Railway Ltd.	16,601		3,465	13,136	**66,864**
Torch River Rail Inc	27,280		4,938	22,342	**84,324**
Great Sandhills	245,495		39,316	206,179	**667,954**
Last Mountain Rail	225,156		34,137	191,019	**620,181**
Long Creek Railroad	-	105,615	178	105,437	**294,563**
	$ 608,248	**$ 105,615**	**$ 103,978**	**$ 609,885**	**$ 2,175,448**